

APPROVED BY COUNCIL MAY 10, 2006

ECONOMIC DEVELOPMENT ADVISORY COUNCIL MEETING

NOVEMBER 10, 2005

301 PARK AVENUE BUILDING

HELENA, MT

COUNCIL MEMBERS PRESENT

Evan Barrett, Chair

Jim Atchison

Senator Jerry Black

Betty Curry

Sheila Hogan

Erin Lutts (conference phone)

Elizabeth Marchi

Rep. Joe McKenney

Tony Preite

Tony Rudbach

Jim Smitham

Paul Tuss

Linda Twitchell

Rep. Dan Villa

Elaina Zempel

COUNCIL MEMBERS ABSENT

Kathie Bailey

Steve Holland

Senator Jeff Mangan

Mark Sansaver

CERTIFIED REGIONAL DEVELOPMENT CORPORATIONS

Cynthia Evans, Northern Rocky Mountain RC&D, Bozeman

Connie Daniels, Headwaters RC&D Area, Inc., Butte

Meta Loftsgaarden, Beartooth RC&D Coordinator

Billie Lee, Lake County Community Development Corporation, Ronan

Kelley Shepp, Sweet Grass Development, Cut Bank

PUBLIC

Gloria O'Rourke, Montana Economic Developer's Association

Pat Murdo, Interim Economic Affairs Committee, Montana Legislative Services Division

STAFF

Andy Poole, Deputy Director, Department of Commerce

Gary Morehouse, Regional Development Bureau Administrator

Quinn Ness, Program Manager, Certified Regional Development Corporations

Janice Wannebo, Program Manager, MicroBusiness Finance Program

MEETING CALLED TO ORDER

Evan Barrett, Chairman, called the meeting to order at 9:08 a.m. and welcomed the audience and Council members. A quorum was present for voting purposes. Council members and audience introductions followed. Barrett acknowledged that economic development is front and center on the Governor's agenda as his principle objective during his administration. He wants to create more, higher-quality jobs that are geographically disbursed throughout Montana. Montana has a series of economies based upon the geography, strengths and weaknesses of the different areas. The eastern rural areas of Montana and Indian reservations represent the more difficult economies in our state. This administration not only wants to assist where areas of the state are

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experiencing dynamic growth but also work hand-in-hand with the rural areas and reservations to help where it is needed most. The Governor's Office of Economic Development has been meeting with more than eighty (80) local economic development organizations, private non-profits, tribal economic representatives to discuss the structure of economic development (i.e. what are the resources (people/financial), the programs, and how they are handled in the community, what projects are there with an eye toward being catalytic in the projects and bring them to fruition, and to make sure the state programs are put to maximum beneficial use.

Barrett continued to state that the Governor's Office of Economic Development works very close with the Department of Commerce. The Governor's office can also help with cross-boundary projects between state departments. Following the local meetings, the Governor's Office also plans to meet with the two major university representatives and have their key economic development people meet with us to get a better handle in knowing what is happening there. The universities can be a "driver" in economic development. There is a lot of capacity challenges in this state and he hopes this advisory council can look at this issue to make sure we come to the next legislature and try to close the capacity gaps. Two things the Governor's office strives for are strong partnerships and leveraging money. Following all of these meetings, they will draft a report to be presented to this advisory council as well as to the Governor about their findings. Barrett indicated it has been a year since this Council met due to the pace of things since the last session, followed by focusing on council appointments and then the meetings with the local representatives. The last legislative session was the most productive economic development session since 1983 when they implemented the Build Montana Program. Barrett stated a minimum of 20 bills specific to economic development passed. Part of the agenda for the 2007 legislative session will be filtered through this advisory council. Council members with ideas and thoughts on how things can be done better should contact Barrett. This administration is looking at diverse economic development activity such as energy projects, technology transfer, commercialization activities, value-added agriculture, etc. The council members are bringing the understanding of your own areas to this council and as a member need to have a broad vision about what needs to be done for the whole state of Montana.

Tony Preite, Director of the Montana Department of Commerce also thanked the members for attending this meeting. Preite mentioned they are making a concerted effort to look at the rural areas of Montana but will not ignore projects in the more populated areas. One major accomplishment has been to ensure all state agencies work closely to ensure there are no "bottle-necks" to prevent economic growth in Montana.

Barrett acknowledged there are 12 different regional representatives on this Council as well as Legislative members and tribal representatives. This is statutorily created Advisory Council therefore; it would require legislative action to change/eliminate this Council and this Council does not change with each administration.

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MINUTES

A draft copy of the November 17, 2004 minutes was mailed to the Council members prior to the meeting for their review. Barrett asked if there were any changes to the minutes. With no changes from the Council members Tony Rudbach **MOVED** to approve the minutes as submitted. Paul Tuss **SECONDED**. Passed unanimously.

COUNCIL RESPONSIBILITIES

Wannebo explained that Council members should complete the expense form, attach original receipts and turn in their forms for processing to be reimbursed for their expenses to attend this meeting. .

Andy Poole, Deputy Director, Montana Department of Commerce briefly reviewed the MCA section 2-15-1820 (6) outlining the Council's responsibilities as follows:

- a. Advise the department concerning the distribution of funds to certified regional development corporations for business development;
- b. Advise the department regarding the creation, operation, and maintenance of the micro-business finance program and the policies and operations affecting the certified micro-business development corporations;
- c. Advise the governor and the department on significant matters concerning economic development in Montana;
- d. Prescribe allowable administrative expenses for which economic development funds may be used by certified regional development corporations; and
- e. Encourage certified regional development corporations to promote economic development on Indian reservations in their regions.

Rudbach pointed out that previously there were three (3) subcommittees that had been formed to carry out various functions described above by Poole. Rudbach questioned whether the subcommittee(s) should be re-established. Poole indicated that Wannebo would discuss forming those subcommittees during the MicroBusiness Finance Program portion of the agenda.

LEGISLATIVE UPDATE

Poole reported the State renewed its commitment to workforce training which was created in the previous session. We were the last state in the nation to get state resources for work force training. Because of the lack of resources but the desire to still do this, Governor Schweitzer appropriated general fund money to take care of the needs of the first two years and the two upcoming years. Barrett stated the legislature transferred the work force training duties from the Governor's Office to the Department of Commerce. The Governor's Office is not a place to administer programs; it is a place where overall direction of government and where catalytic economic activities takes place.

Barrett acknowledged the Big Sky Trust fund bill puts into place a permanent source of funding for economic development with growth over the next 20 years along with providing additional monies each biennium for both job creation and capacity building. Other various tax credits/incentives for filming in Montana, ethanol and bio-diesel, wind generation, and improvement of the aerospace infrastructure funding passed. An Indian

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Economic Development Commission was scheduled to sunset July 1, 2005 but continued for another 4 years and this administration would prefer that it never sunset. Major appropriations for the next two years include \$500,000/per year for Indian Country Economic Development; \$400,000/per year for the Made in Montana Program; and \$300,000/per year for marketing and recruitment efforts at the state level.

Poole stepped through the New Economic Development Initiatives-Progress Report dated November 10, 2005 explaining the status of each initiative listed below:

HB 249 – Big Sky Economic Development Trust Fund (BSTF) – This program will begin with \$20 million of Coal Tax Trust Funds on July 1, 2005. 75% of the earnings generated by the trust will be allocated for distribution to local governments to be used for job creation projects and 25% will be allocated to Certified Regional Development Corporations and local development organizations for planning and capacity building.

HB270 – New Worker Training Program-A grant review board approves applications for up to \$5,000 in eligible training expenses for new workers. The match for the training is \$3 state to \$1 private.

HB 271 - New Worker Training Appropriation FY2005-The legislature committed appropriations of \$2.17 million for five grants to companies that were approved by the Martz administration.

HB2 – Indian Economic Development -A maximum of \$50,000 to each reservation and the Little Shell for economic development activities.

HB713 - Mission Assessment for Military and National Guard Installations-\$100,000 in general funds to create a task force to conduct a mission assessment for the military and national guard installations to promote the establishment of new installations and expanded missions.

HB 423 - Great Plains Dinosaur Park-\$500,000 from the general fund to purchase the land and purchase or construct a facility for a park in Malta to display the paleontology research and to provide research facilities and complete necessary building upgrades.

HB481 - Main Street Program-The Department was appropriated \$125,000 in state special revenue funds to assist communities in restoring and retaining the historic character of their downtown areas, to stimulate business investment, strengthen the local tax base, create employment opportunities and enhance the economic viability of downtown areas and historic districts.

SB329/HB2 - Made In Montana – Appropriations of \$300,000 each year in base level funding and \$100,000 each year in one-time only funding for Made In Montana activities. Funds will cover NxLevel Entrepreneurial training, national & international marketing & trade show assistance, Made In Montana Trade show and billboard advertising, Marketing Extension, Local/Regional Economic Development Assistance, and Aerospace Cluster.

HB584 - Big Sky on the Big Screen – This act requires production companies to apply to Commerce for state certification of a production in order to qualify for the tax credits.

SB133 – Montana Equity Capital Investment Act – To provide investment incentives to nourish the creation of a private seed and venture capital industry to fund academic, technological and innovative companies. Authorizes the issuance of up to \$60 million in state tax credits to investors in the Montana Equity Fund. The legislature did not

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appropriate the general fund necessary to implement this Act therefore, this program has not been implemented and the Board has not been appointed by the Governor to date.

Barrett briefed the Council on the possibility that SB133 may be unconstitutional. If and when there is funding for this Act, and once the Board is appointed, the next step would be resolve the constitutionality issues. Senator Black asked what basis this bill would be unconstitutional? Barrett replied it is based on some constitutional language that restricts the ability of the state to invest in private companies. Representative Villa asked about test case costs? Barrett indicated it could range between \$50,000-\$150,000.

Tuss questioned whether the percentages under the Big Sky Trust Fund could be changed to 50% capacity building and 50% job creation? Barrett indicated it would require legislative action to change the percentages and recommends waiting until the next regular session.

Another bill assigned to the Governor's Office for coordination is the creation of the Rail Service Competition Council. The state appropriated \$1 million in state funds for branch line improvements and the creation of bonding authority of up to \$250 million. They held their first meeting on November 3, 2005. Montana has captive shipper problems concerning the costs to move product in and out of Montana is substantial compared to other states. Montana is non-competitive when it comes to transportation rates. This is a focal point of some economic development activity.

Barrett reported several bills listed below did not pass:

SB19 – Updates local tax abatement for new and expanding businesses making it workable and new industry property tax incentive on the books for years has become unworkable so there is negligible value on real property.

Another bill would have allowed the flexibility for local government to implement mills to support their local economic development. This would allow each local government to make their own decision and give them the flexibility a number of ways to do it. Anticipates this will be re-introduced and will pass next time.

Representative McKenney stated it was a tragedy that SB133 hit a road block which is a tool that is needed in this state and he would ask the administration to re-open this during the special session if one is held. He also said that in order to get the 76 signatures would require the Governor's nudge. Senator Black echoes McKenney's words. He thought the session was good for economic development and would have liked to have seen the Venture Capital Bill pass. Representative Villa also agreed about the overall outcome of the session and thanked Senator Black on his excellent legislation on Agriculture.

ECONOMIC DEVELOPMENT TRUST FUND

Quinn Ness, Program Manager, Big Sky Trust Fund, referenced the diagram outlining the process and timeframes of the Trust Fund. HB249 became effective on July 1, 2005. On October 13, 2005 a public hearing was held and comments were received. Currently the

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Department is working on the Formal Notice of Adoption, which includes the Department's responses to the comments. The three main areas where the public provided comments were: 1) the rules should not discriminate against non-basic, sector businesses; 2) the rules should not require a local government to work with a CRDC in implementing and administering a project; and 3) the rules should not discriminate against projects that create fewer than 10 jobs. Ness recommends striking the language referring to 10 jobs. Following the public's comments, the Department drafted the Big Sky Economic Development Fund 2006 Application Guidelines (attached).

Elizabeth Marchi asked if subsidizing a retail business in a rural area is the best use of state dollars? Barrett believes allowing flexibility is important especially in the rural areas and is confident the Department of Commerce will use discretion. Preite indicated retail businesses in rural areas may be critical for the benefit of the general public, especially when the business may be the only one of its kind in the community, area, or region. An example would be the only grocery store.. This does not mean we won't help the areas that are fast growing because they can create the tax base Montana needs. Barrett asked if the Department needs this Council to approve the Administrative Rules. Ness indicated at this time the Department is developing our formal response to the public's input and giving this Council the opportunity to advise the Department on the development of the responses. Ness indicated we are open to suggestions but recommends keeping the text as currently written.

Ness indicated the Department will move forward with finalizing the Notice of Adoption and the Administrative Rules should be published in December 2005. In January 2006 the Department of Commerce will be accepting applications for the Trust Fund. The Department anticipates approximately \$1.33 million available minus \$95,000 for administration. A table summarizing the estimated distribution of funds earnings for SFY2006 is shown on page 6 of the application guidelines. Ness anticipates the application to be an open-ended cycle but the Department may want to look at an awards process for the capacity building funds.

RURAL DEVELOPMENT

Tim Ryan, State Director, USDA Rural Development, reported that due to Montana's size and tighter federal budgets make it more difficult than ever to provide outreach therefore, they are revamping how and who provides rural development outreach. The USDA Rural Development Program can literally build a community from the ground up by providing funds for water/sewers, hospitals, schools, public facilities, fire trucks, etc. USDA invested over \$143 million in Montana and anticipates more next year. While some agencies are experiencing a contraction of FTEs, Ryan reported that over the next few years a many as five (5) FTEs would be hired to provide outreach throughout Montana. The communities that need USDA the most do not have the ability to hire a grant writer so USDA plans to have their people in the field work with the local community through the process of accessing the grant programs. Ryan further described their business & co-operative programs which are expanding into new areas such as: single-family & multi-family housing projects, SELF Help projects, community facilities loan program and their utilities programs. They have offices scattered throughout the

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state and they have growth in their programs compared to most federal agencies. Ryan reported in their Community Facilities Loan Program, which most local small hospitals are financed, and if they are considered a “critical access care hospital”, Medicare reimburses them for debt, which they did not do previously. If a hospital board indicates they can’t afford any more debt to renovate the hospital there are options to assist with the debt. Typically 70% of the patient load is Medicare in the smaller communities. Meaning, 70% of that debt can be picked up by this new reimbursement program. Ryan left copies of their Montana Rural Development Program Guide for interested parties outlining the programs referenced above. Barrett asked Ryan to explain some of the population barrier issues that some area can/can not qualify. Water and sewer has to be fewer than 10,000 for the population, for community facilities fewer than 20,000 and for business & industry loan guarantees fewer than 50,000 in population. The only communities that do not qualify for the B&I loan guarantees are Billings & Missoula. Great Falls received an exemption. Preite commented that no single agency/program can take care of the needs of a community therefore it is imperative that we work together to provide outreach to build capacity at the local level. Ryan stated that USDA, which has a 0% loan program available to co-ops for economic development, finances the majority of the local telephone co-ops yet no one in Montana is utilizing this program. Preite indicated that additional outreach meetings would begin in the future involving both USDA & EDA.

ECONOMIC DEVELOPMENT ADMINISTRATION (EDA)

John Rogers, Economic Development Officer, reported EDA is under the federal U.S. Department of Commerce and provides only grants for construction (i.e. infrastructures) and non-construction projects (i.e. planning strategies, such as funding for a number of economic development districts in the state and communities affected by closures). EDA spends on average \$5-6 million a year in Montana. Senator Baucus was instrumental in getting recent EDA issues passed. The agency will print the final rule within the next 30 days. This year, EDA will receive the same amount as last fiscal year, which is good news due to budget restraints. Minor changes include an emphasis on unfunded districts. They are setting aside \$300,000 for un-funded districts to apply for one-time planning projects even though the project may involve other EDA funded districts as a partnership. EDA’s Technical Assistance Program is a small planning grant usually tied to a specific issue/problem. There are seven (7) established EDA revolving loan funds in the state but the current administration has moved away from funding new RLFs. Rogers expressed the importance of partnering with various agencies to provide outreach in this vast state of Montana and without the partnerships projects don’t get done.

STATE WORKFORCE TRAINING PROGRAM

Gary Morehouse, Assistant Administrator for Business Resource Division, reported that Commerce has three (3) job training programs: 1) Primary Sector Workforce Training Grants; 2) Federal Workforce Investment Act Job Training Program; 3) Community Development Block Grant – Economic Development Job Training. These programs are outlined in the handout entitled “Department of Commerce Workforce Training Programs”.

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Morehouse reported that HB271 created the new Job Training Program for funding five projects received preliminary commitments from the Governor's Office for a total of \$2.17 million in funding. To date, five (5) companies are under contract:

- 1) Centene Corporation - Great Falls
- 2) Bresnan Communications - Billings
- 3) Montana Resources Inc. - Butte
- 4) PrintingForLess.com - Livingston
- 5) Qwest - Helena

Morehouse also referenced the Commerce Primary Sector Workforce Training Grant Program-Application Guidelines 2005 explaining there is no application form. The applicant follows the guidelines and responds to each section, attach the business plan and financials and their hiring and training plan thereby keeping this process as simple as possible. Barrett reiterated the five projects above were approved prior to the last session so they were the result of the efforts of the Martz administration under this program. The 2005 session changed the funding mechanism and has the general fund picking up what had already been committed and we fulfilled our responsibility and now we are implementing the new monies with HB271. Morehouse stated the program is targeted towards primary sector business defined in the statute. Additional requirements such as the creation of at least 10 new jobs which the Department monitors closely. They are also required to pay the average wage of the county or the state (whichever is lower). The current average for the state is \$13.38/hour.

Commerce does not have the authority to decide who receives the funds, therefore an independent Workforce Training Grant Committee was formed and the current members are listed on the handout. Elizabeth Marchi noted the non-geographic diversity of the members relative to western Montana as future appointments are considered. Barrett acknowledged Elizabeth Marchi's observation. Morehouse indicated the limit is \$5,000 per job, there is no ceiling per project and a \$1: \$1 match requirement. The statute strongly encourages involvement with local technology schools and colleges which is a big benefit of this program. Barrett added the above programs could be combined to make projects happen, if necessary.

MICROBUSINESS OF THE YEAR AWARD

During the lunch break, a brief ceremony took place awarding the 2004 MicroBusiness of the Year to GingerBee's Creative, Inc. located in Helena. Commerce Director Preite presented the award to Ginger & Bryan Knaff owners of GingerBee's. Sheli Jacoby, Loan Officer at Gateway Economic Development Corporation, spoke briefly about why GingerBee's was nominated by them. Pictures of Director Preite with Ginger & Bryan with plaque followed.

Attending representatives from the Certified Regional Development Corporations were presented plaques and pictures were taken with Legislative members and Director Preite.

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CERTIFIED REGIONAL DEVELOPMENT CORPORATIONS

Quinn Ness, Program Manager, Certified Regional Development Corporations (CRDC), reported that by statute the State of Montana can designate up to 12 CRDCs, currently there is 11 CRDCs. Ness reviewed the counties covered on the CRDC map (attached) as he stated each of the 11 CRDC organizations and introduced attending CRDC representatives to the Council members. Counties currently not participating in the CRDC program are: Richland, Flathead, Missoula and Ravalli. The 11 CRDCs are under seven (7) year contracts that are effective until 2010. \$425,000 is available to the CRDCs on an annual basis. One of the duties of this Council is to advise the Department of Commerce concerning the statutory formula for the distribution of CRDC funds. Rudbach stated there is a plan underway to form a CRDC (Ravalli, Missoula and possibly others) and wondered when the deadline is to submit the application? Ness stated this program funding is on a calendar year cycle. In January, the CRDCs are required to submit an annual report that is compared against their work plan they submitted last January. To be in the funding cycle, they would have to be designated by the end of January 2006. The capacity building grants awarded to the CRDCs help fund programs at the local level such as the Business Expansion And Retention (BEAR) Program.

Barrett briefly mentioned the history behind certifying local development organizations back in 1989 with the Certified Communities Program that received no funding. Prior to funding there were 43 local development organizations, after a \$425,000 appropriation suddenly there were 75 LDOs. The administration could see that \$425,000 would not go far, not making good economic sense in terms of impact. The legislature created the regional structure making sure we have a critical mass in one regional organization that can provide services to the surrounding smaller counties. When the CRDCs were funded, the Local Development Organizations became unfunded because they did not put any more money in that program. Today we have local & regional development organizations with a pot of money that has not grown and have some organizations funded and others unfunded.

Jim Atchison would like the Department of Commerce to draft press releases of the CRDC's success stories/projects or promote a marketing effort to tell the state what is going on in the CRDC regions. Ness reported the Department contracts with MEDA and believes that would be a good way to spread the CRDC success stories.

Jim Smitham, Butte Local Development Corporation under the umbrella of Headwaters RC&D Area, Inc., which is the CRDC in their area, indicated their working relationship is better than ever and fully supports their efforts and believes there are models that other CRDCs could look at. Working regionally really strengthens each town in the region capabilities of getting companies to consider them.

Connie Daniels indicated they held a "retreat" that pulled people in their region together and has set the stage for people to communicate well together bringing their seven (7) counties together to focus on projects.

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Barrett asked this Council for their guidance on what can be done with the Treasure Communities program so that under the umbrella of the CRDC local people are there to make it happen. Tuss suggests eliminating the words “treasure communities” in the statute and he is open to discuss what to do with this program. Unless the state can provide the financial resources he does not know what else to do. Elaina Zempel reported their newly formed CRDC organization is still struggling and adding the Certified/Treasure Communities with no funding would not help. Council members Elizabeth Marchi, Curry and Twitchell expressed their concerns with promoting this program with no funding and no actual benefits to being a Certified/Treasure community.

Rudbach acknowledged that one of the scarcest resources in Montana is non-federal money and reported there are grant opportunities that require a non-federal match. Rudbach would like to see encouragement for the use of these \$425,000 as leverage against federal grants. If we use the \$425,000 and grow it to potentially over \$1 million through grant applications. Many of the newer CRDC organizations do not have the grant writing expertise but there are many grant writers in Montana and Rudbach believes this Council could provide a clearinghouse if a CRDC needs a grant written enabling the CRDCs to leverage their funds. Elizabeth Marchi also believes we should leverage our funds better.

Director Preite is very concerned about the sustainability of some of the CRDCs as they are structured today. Preite wants local government, local legislators and cities involved in the rural areas because there is not enough resources available and if you don't have the local support and willingness to keep the rural development organizations operational and the cohesiveness that is necessary. CRDC meetings should be attended by each of the communities served in the region. The state needs to help the CRDCs find a way to supplement and add to the resources otherwise he does not believe some of the more rural CRDCs would survive.

Billie Lee indicated the concept is working well in the Northwest part of Montana due mainly to the local development organizations (LDOs) that already existed when the region was formed. Lee reported they have leveraged their CRDC funds about five (5) times with federal funds to help build capacity not only in the CRDC organization but also the local development organizations. Since the LDOs were already established so they established a four (4) county regional demographic platform/base with a common economy and identify the major industries they share in common and how to develop them and leverage funds to ensure the projects they have identified within the major industries is worked on as priorities at the local level and directing funds to help support the project(s).

Linda Twitchell indicated they hold annual public meetings in each of the small towns each year and look at the strengths of each community and incorporation it in their work plan and it becomes part of their Comprehensive Economic Development Strategy (CEDS) planning document. Ness reported the Department does allow the CRDC to submit their CEDS document as their strategic plan.

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Elaina Zempel acknowledged that in the north central region there is a CEDS document also being done with an EDA planning grant but the one item she wishes the organization was not required to fulfill all of the rules immediately that are contained such as business planning, expansion & retention, small business technical assistance, and revolving loan fund management. Had they been able to keep it in a more defined area then they could have built trust and work it out in one area instead of multiple areas. Having to produce all six (6) requirements immediately was too daunting of a task.

Jim Atchison reported the CRDC program has been a lifesaver for their organization. The financial stability along with the strategic partnerships created with Linda Twitchell and Mike Carlson have been very valuable and look forward to working together in eastern Montana for sheer survival.

Prior to Barrett's early departure from the meeting, he acknowledged this Council at some point would appoint committees to tackle some of the challenges faces the CRDCs and Certified/Treasure Communities programs with an attempt to create a plan that works well for everyone.

Elizabeth Marchi asked that now the Economic Development Trust Fund has been passed and with limited funding wondered if pulling some of the urban areas from the process and realigning the CRDCs around more rural areas in an effort to increase funding. Preite acknowledged that may still happen although some are having problems, believes we should work within the structure we currently have and if a year from now the same problems exist we should take recommendations as to what better implementation policies we should adopt. But it will not happen without the local involvement and it won't happen unless we give the regional directors the latitude to leverage these things and the legislature to provide the tools necessary to accomplish the projects.

Andy Poole stated that this Council may not want to go any further with the Treasure Communities because there might be an expectation of other things that may not be able to come forth with but the statute does state the CRDC has to administer the Treasure Community designation and reporting process for the communities and counties in their region. Poole added eliminating the wording from the statute is a possibility but none the less we have to do something with it and if we don't have enough time today to come to a resolution about what the best thing to do is, he suggests forming a small subcommittee of this Council who can draft a plan that meets the statutory requirements but also addresses the needs of the CRDCs. Ness reported that currently there is no funding for signs designating a Treasure Community and the subcommittee should report back to the full Council with their recommendations. Ness has contacted the Department of Transportation to remove the signs but many communities still want their signs up as a gateway to their community. MDOT has allowed them to remain as long as they meet the right-of-way requirements.

Sheila Hogan, Paul Tuss and Elaina Zempel volunteered to serve on the subcommittee.

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MICROBUSINESS FINANCE PROGRAM

Janice Wannebo, Program Manager, referenced the MicroBusiness Development Corporations (MBDCs) map pointing out that currently there are five (5) actively lending MBDCs in the state:

1. Montana Community Development Corporation (Missoula)
2. Headwaters RC&D Area, Inc. (Butte)
3. Gateway Economic Development Corporation (Helena)
4. Bear Paw Development Corporation (Havre)
5. Great Northern Development Corporation (Wolf Point)

Recently, Northwest Business Center in Kalispell and District VII HRDC in Billings have opted out of the MBDC program. Wannebo added the Department is waiting on High Plains Financial in Great Falls and Gallatin Development Corporation in Bozeman to complete their MBDC certification process and they can start serving those areas with state micro-loan funds. Clients needing service in the regions where there is not an MBDC are being served by another MBDC in the area.

Wannebo also reviewed the September 30, 2005 MBDC Quarterly report summarizing loan activity and financial condition of the MBDCs. To date, 872 micro-loans have been approved and 525 of them have paid off their loans. The average MBDC loan is \$16,989. A total of 1056 FTEs were created at the closing of the 872 micro-loans. Wannebo reviewed the graphs portraying percent of match remaining, asset coverage ratios, write-offs, delinquencies, allowance for loan losses, and the number of loans per region. Each actively lending MBDCs statement of financial condition spreadsheet was attached.

Sheila Hogan shared Sheldon Bartel's comments regarding the state's micro program, "both the cash match and the 2.75% interest rate are barriers to accessing funds forcing the MBDC to take on more debt with its micro fund to ensure there is ample cash flow." One possibility might be allowing the MBDC's matching funds to be used as match in accessing federal resources. Hogan was curious as to why some MBDCs have opted out of the program and was wondering if it was because of the some of the comments Bartel stated above. Poole stated in the beginning of the program there was a mixture of economic development organizations and Human Resource Development Councils (HRDCs) Most of the organizations are opting not to participate simply because they did not have enough capacity to make it work. The MBDC program has to co-exist with other revolving loan funds (RLFs). Poole reported the Department would explore the possibility of reducing the match but it is a statutory requirement and would require a new bill to the legislature. The Policy Subcommittee could look at both administrative or statute changes. Atchison agrees with Bartel's comments. Atchison pointed out his organization at the beginning lacked the internal capacity to lend by trying to start the micro-loan fund first before they established a revolving loan fund plus a few bad loans strained their portfolio enough to force them to payback the funds. He believes their organization is 1-2 years away from looking at the state micro program again if there are minor adjustments to the program. They would be interested in covering nine (9)

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counties in their region. While some members mentioned abolishing the MicroBusiness Finance Program, others disagreed and felt the program simply needs to evolve.

Zempel asked for an update on certifying High Plains Financial, Inc. in Great Falls as an MBDC? Wannebo replied that at the end of August 2005 Great Falls Development Authority informed the Department they are in the process of collecting their match and would get back to the Department once they are ready and have met all of their certification requirements (i.e. updated sections of their MBDC application due to staff changes at the organization, additional letters of support, proof of bonded employees, etc.).

Several Council members acknowledged that the MicroBusiness Finance Program is a needed funding mechanism for the startup businesses in their region but under the current structure it is difficult to justify maintaining the program in their organizations. Tuss pointed out that even if every micro-loan was a “good” loan it still does not add up to have it as a stand-alone program. It is subsidized by the lending activity of their more lucrative RLFs. Preite asked if more administrative funds are needed for the MBDCs. Poole pointed out that size and scale of a portfolio is a problem and is an issue that needs to be looked into to see if there is something that can be done to assist the MBDCs towards sustainability/profitability. Wannebo reported that following three (3) subcommittees were formed previously by this Council to oversee the MicroBusiness Finance Program: 1) Policy 2) Certification Standards and 3) Awards subcommittees. As discussion continued about the pros and cons of the program, the following Council members agreed to serve on the Policy Subcommittee: Paul Tuss, Linda Twitchell, Jim Atchison, Sheila Hogan and Tony Rudbach. They will research possible solutions to make the MBDC program more attractive and viable for the host organizations and present recommendations to the full Council at the next meeting. Subcommittee duties are usually conducted via conference call at the Department’s expense. Other Council members interested in serving on one of the above committees can contact Wannebo.

NEXT MEETING

Wannebo briefly explained that to conduct a videoconference meeting with eastern Montana Council members would cost approximately \$850 along with the council member’s expenses to travel to the videoconferencing location. One hindrance would be the location of the Helena site (small meeting room or auditorium) and accommodating this council and a luncheon. Poole felt that while videoconferencing eliminates the members’ travel to Helena it is not conducive for this type of meeting.



Respectfully Submitted